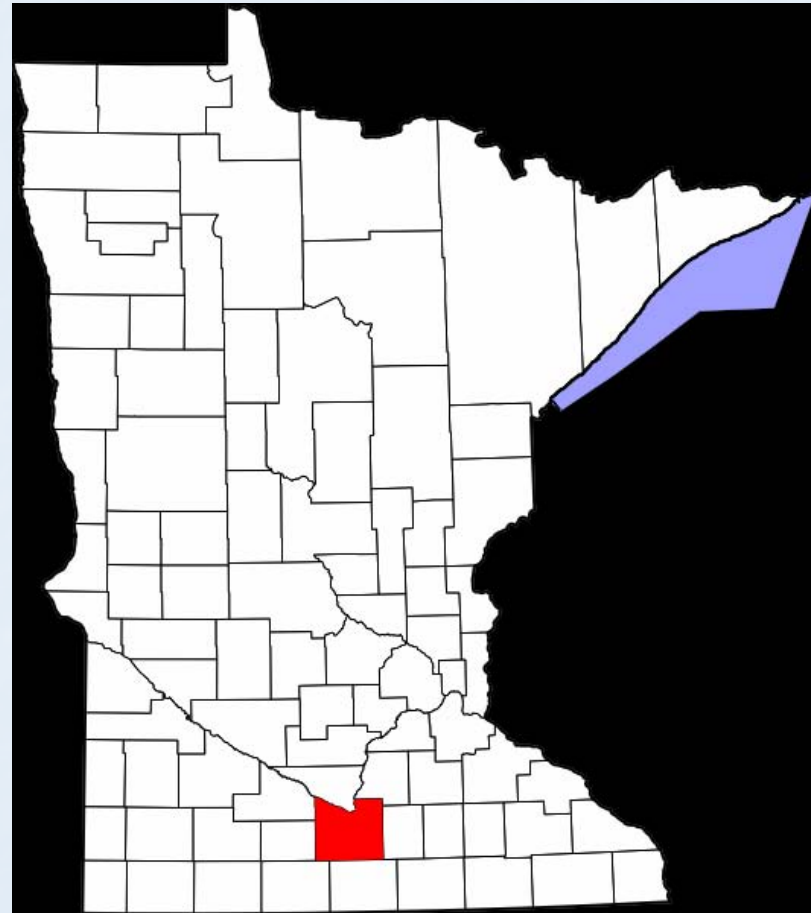


Mid-Communications, Inc.

- Rural incumbent local exchange carrier
- Serves 11 exchanges in Blue Earth County, MN
- Average schedule company
- Experienced decrease in line counts from 2006 – 2008
- Relies on support from Universal Service Fund
- Is a subsidiary of HickoryTech Corporation (NASDAQ: HTCO)



Mid-Communications, Inc.

- 47 U.S.C. §254(b)(f) dictates that USF support must be “specific and predictable”
- Mid-Com calculates its support based on formulas filed with and approved by the FCC
- The approved formulas take into account access line count ranges
- In 2006, Mid-Com fell below the 10,000 line threshold and calculated its support at the less-than 10,000 line formula
- USAC confirmed the support amount
- Mid-Com received support at this level until the first quarter of 2008
- Mid-Com was required to relinquish \$207,324 for a 2006 true-up, and anticipates a 2007 true-up of \$248,709
 - 47 CFR 54.301(3)(2)(iv) requires true-ups to be done within 15 months; Mid-Com’s true up was done outside that window

Mid-Communications, Inc.

- Mid-Com's netting statement from USAC for the first quarter of 2008 was almost \$22,000 less per month than its "specific and predictable" expected amount
- USAC's actions, confirming and paying higher LSS amount and then reversing course more than 15 months after the close of each funding year, violate the statute and FCC rules
- USAC justifies its actions based on its interpretation of FCC rules that on their face apply only to cost companies, not average schedule companies, and are ambiguous
- USAC is prohibited by FCC rules from making policy

Mid-Communications, Inc.

- The FCC rules:
 - 36.125(f): Beginning January 1, 1998, for study areas with fewer than 50,000 access lines, Category 3 investment is apportioned to the interstate jurisdiction by the application of an interstate allocation factor that is the lesser of either .85 or the sum of the interstate DEM factor specified in paragraph (a)(5) of this section, and the difference between the 1996 interstate DEM factor and the 1996 interstate DEM factor multiplied by a weighting factor as determined by the table below. The Category 3 investment that is not assigned to the interstate jurisdiction pursuant to this paragraph is assigned to the state jurisdiction. [DEM factor table omitted.]
 - 36.125(j): If during the period from January 1, 1997, **through June 30, 2006**, the number of a study area's access lines increased or will increase such that, **under §36.125(f)** the weighting factor would be reduced, that lower weighting factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor. The study area will restate its Category 3, Local Switching Equipment factor under §36.125(f) and use that factor **for the duration of the freeze period**. [Emphasis added.]
- Neither rule applies to 54.301(f), which requires USAC to calculate and the FCC to approve a LSS formula to calculate support for average schedule companies

Mid-Communications, Inc.

- By its terms, the one-way ratchet rule applies only to DEM weighting factor calculation (cost companies)
- Because rule is ambiguous, FCC (not USAC) must determine whether it should be extended to average schedule companies
- Even if rule applies to Mid-Com, failure to change end date of separations freeze makes rule ambiguous

Mid-Communications, Inc.

- Because USAC confirmed and paid Mid-Com higher support amount, it is manifestly unjust to clarify rule against Mid-Com and recoup support
 - FCC has made petitioners whole when USAC made a mistake with financial consequences and should do so for Mid-Com
 - Mid-Com's reliance on higher support amount confirmed by USAC was reasonable
 - Consequences for Mid-Com are loss of 20% of high cost support in 2006 and 18% of high cost support in 2007; paying Mid-Com higher amount increases total high cost support disbursements by .0051% in 2006 and .0058% in 2007

Mid-Communications, Inc.

Related proceedings

- *Jurisdictional Separations and Referral to the Federal-State Joint Board, Notice of Proposed Rulemaking, CC Docket 80-286.*
- *Coalition for Equity in Switching Support Petition for Clarification, CC Docket Nos. 96-45 and 80-286 (January 8, 2009)*
- The FCC has the opportunity to clarify §54.301(a)(2)(ii) and §36.125(f) and direct USAC to calculate local switching support based on current number of lines.

Mid-Communications, Inc.

Asks the FCC to:

- Immediately direct USAC to refund the \$207,329 in 2006 LSS that USAC confirmed, paid and later recouped outside the 15-month true-up window
- Direct USAC to refund the \$248,709 in 2007 LSS that USAC paid and intends to recoup in April/May 2009, again outside the 15-month true-up window
- Clarify rules so that LSS is calculated on current line counts for average schedule and cost companies